MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2018/2019

BLE2074 – LABOUR ECONOMICS

(All sections / Groups)

06 MARCH 2019
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **FOUR (4)** printed pages with **FIVE (5)** structured questions excluding cover page.

2. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

ANSWER ALL FIVE (5) QUESTIONS (100 MARKS)

Question 1

(a) Indicate the area of excess labour demand and supply with the help of the labour market diagram.

(5 marks)

(b) If there is an increase in labour productivity and at the same time the nonwage income rises, illustrate how it will affect the equilibrium wage rate by showing the changes in the labour market diagram.

(5 marks)

(c) Distinguish between gross substitutes and gross complements in relation to changes in labour demand.

(4 marks)

Figure 1

Labour	Wage	Marginal Revenue Product (MRP)	Value Marginal Product (VMP)
1	5	8	9
2	6	7	8
3	7	6	7
4	8	5	6
5	9	4	5

(d) Refer to **Figure 1** and answer the following questions.

(i) Explain the degree of competition in the labour market and product market.

(4 marks)

(ii) Indicate the profit maximizing level of employment.

(2 marks)

(Total: 20 marks)

Continued...

Question 2

Read the following passage:

"The State of Labour Movement in Malaysia"

In Malaysia, the trade union movement seems to be weakening, with the number of unions and unionised workers steadily decreasing. According to the Trade Union Affairs Department, only 875,193, or six percent, of the 14.5 million workers in the country, are currently union members. Union membership in the private sector also shows a marked decrease, dropping from 433,702 in 2009 to 359,206 in 2017…

For many workers today, the union is simply a "subscription" deducted automatically from their salary by employers and transmitted to their unions, and the little benefit that they get from collective bargaining, which are usually salary increments and bonuses…

Source: Charles Hector (November 19, 2017). Malaysiakini.

Answer the following questions.

(a) Discuss any **TWO (2)** potential reasons that contribute to the decline in the number of unions and unionized workers.

(6 marks)

(b) Using an appropriate graphical illustration, illustrate the unions' collective bargaining, through the monopoly union model.

(8 marks)

(c) Choose any **TWO (2)** techniques that unions may use to increase the salary paid to their members. For each technique, discuss the possible actions that can be taken to achieve the objective.

(6 marks)

(Total: 20 marks)

Continued…

Question 3

Read the following passage:

"Workplace woes: Workplace discrimination is common in Malaysia"

A mother of five, who wants to be known only as Adida Rahim, told *New Sunday Times* that her male superiors and colleagues continued to question her credibility and knowledge because she was a woman.

Having worked for more than 20 years in the civil service, she said she was up for a promotion to lead the digital forensic team as she had the proper qualifications and passed all requirements last year.

However, she said, she did not get the promotion.

"My boss told me that women are not allowed to lead the digital forensic team. They wanted a man to do it."

This, she said, was not an isolated incident, stating that her boss would exclude her from discussions, but include junior male staff...

Source: Tasnim Lokman & Qistina Atikah (January 28, 2018). New Straits Times.

Answer the following questions.

(a) Based on the passage above, describe the type of discrimination that Adida Rahim faced, in relation to gender in the workplace.

(5 marks)

(b) Based on your answer in part (a), show how this can be related to the theory of statistical discrimination and how the discrimination based on the theory can be reduced.

(6 marks)

(c) Discuss any **THREE (3)** non-discriminatory factors that may cause Adida Rahim to not be promoted.

(9 marks)

(Total: 20 marks)

Continued...

Question 4

(a) Discuss any **THREE (3)** factors that give rise to frictional unemployment.

(9 marks)

(b) Using an appropriate graphical illustration, illustrate the rise in involuntary demand-deficient unemployment by assuming a rigid nominal wage.

(6 marks)

(c) How insider-outsider theories explain the downward wage rigidity?

(5 marks)

(Total: 20 marks)

Question 5

(a) Use the human capital investment theory to explain the migration decision of a household.

(5 marks)

(b) Discuss any **THREE (3)** economic consequences of labour migration.

(15 marks)

(Total: 20 marks)

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